



SBA Supporting and Encouraging Economic Development Through Entrepreneurship

January 2005

Save the Date !!

Matchmaker Event Scheduled for March 15th and 16th

On March 15th and 16th there will be a large procurement event here in Cleveland. This event cosponsored by the SBA and the Urban League of Greater Cleveland through the support of Key Bank and UPS will provide an opportunity for small businesses to meet one on one during scheduled appointments with representatives of the major buying activities. Buyers from Federal agencies, city, state and local governments as well as prime contractors will be present. The buyers and sellers will be matched based upon the products and services that they can supply and which are required by the buyers.

Also during the two days, there will be workshops on areas of interest to small business, such as access to capital, bonding, marketing, etc. In addition to the one-on-one meetings businesses will also be able to take advantage of some excellent workshop/training opportunities.

We have a great opportunity to bring together buyers and sellers in northern Ohio.



We anticipate that there will be approximately forty buyers and

approximately 250 small businesses. Over the two days approximately 1,400 one on one meetings will take place. **Space is limited!**

The event will be held at Jacob's Field utilizing their meeting room facilities.

This matchmaker represents a great opportunity to maximize your contacts and identify some potential business opportunities.

The registration will be done on line. The web site will open February 14th.

The cost of the event for sellers is \$149. There is no charge for the buying activities. If you are interested in obtaining more information on this please contact John Hogan at 216-522-4180 Ex. 222 or preferably by e-mail at john.hogan@sba.gov

DEMAND FOR SBA-BACKED LOANS SETS A RECORD PACE IN FIRST QUARTER OF FY 2005

On a national basis, American small businesses set a record pace of borrowing to start and expand their



companies over the first three months of SBA's current fiscal year, securing backing from SBA

on 23% more loans than in the same period a year ago. Locally, that figure is up an astonishing 152% from the first quarter of FY 2004. A breakdown of our top five lending partners for the first quarter of FY '05 is as follows:

Lender	Number of Loans
Charter One Bank	470
National City Bank	56
US Bank	34
Sky Bank	33
FirstMerit Bank	31

504 Lending Also Up

CDC	# of Approvals	Total Debuture Amount
Growth Capital Corp	6	\$2,770,000
Cascade Capital Corp	5	\$2,213,000
Lake County SBAC	5	\$1,055,000
Lucas County Improvement Corp	2	\$211,000
Mahoning Valley EDC	2	\$660,000
Ohio Statewide Dev. Corp	1	\$354,000
West Central Partnership	1	\$491,000

504 activities is also running strong. The following lists 504 loan approval by CDC for the quarter ending December '04:

WHO WILL EMERGE FROM THE PACK?

Each year we honor the top bank that participates in the 504 loan program. After the end of our first quarter, 5 banks share the lead in 504 loan participation. Who will end up on top? The top 504 lenders as of the quarter ended 12/31/04 are:

Lender	Number of 504 Loans
Bank One	3
Charter One Bank	3
FirstMerit Bank	3
KeyBank	3
National City Bank	3

Small Business Research, Statistics Easier To Find

Redesigned Advocacy Web Site Offers Easy Use, Search, And Navigation

Small business research and statistics are now easier to find thanks to the Office of Advocacy's newly redesigned web site. The site, www.sba.gov/advo, offers intuitive, easy to use menus and search features that guide users to a wealth of data, reports, and statistics on small business and the American economy.



"Now it's easier for small business owners, trade associations, researchers, policymakers, and academics to accurately find what they

need, and find it fast,” said Thomas M. Sullivan, Chief Counsel for Advocacy.

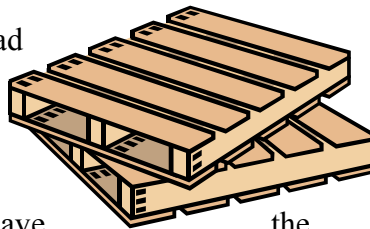
The redesign of www.sba.gov/advo is based on observations and contributions from Office of Advocacy stakeholders. Users of the newly designed site report that regulatory issues, state profiles, and other issue areas are clearly indexed and easily accessible.

The Office of Advocacy, the “small business watchdog” of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues.

SBA Success Story

Pallet Power

Dave Muslovski had dedicated 13 good years to his wood pallet manufacturing employer only to have



the rug pulled out from under him. In 1986, Dave returned home from a sales trip on the Wednesday before Thanksgiving to the horror of finding all his work belongings packed up in a box! Dave’s company was downsizing due to financial constraints, and he found himself out of a job without any prior warning. Dave suddenly and unexpectedly faced a major crossroad in his life with the immediate concern of providing for his family.

Dave realized that with the 13 years experience he had garnered in the industry that he should have no trouble hooking up with

another pallet company. Unfortunately, there were very few pallet companies in the area. He did not want to relocate his family. Was it time to do something on his own? Dave realized he had the knowledge to start his own pallet business, but he was not sure that he had the guts.

After discussing things over with his wife Denise, they together decided to take the risk and start their own pallet business called Iron City Wood Products, Inc. in Campbell, Ohio (near Youngstown). Together they drafted a business plan and sought the capital necessary to get things up and running. They initially had a difficult time obtaining funding, but with the help of family, their local banker and the U.S. Small Business Administration (SBA), enough money was raised. Dave and Denise borrowed money from family members, refinanced their home and obtained an SBA guaranteed business loan for their company.

Iron City Wood Products, Inc. refurbishes used pallets, wooden crates, wood boxes, and super sacks. The company works closely with the steel mill and alloy industries located along the Ohio River Valley. Unlike its competition, the company specializes in odd size pallets built to customer specification.

Dave and Denise knew that owning and operating a business would be hard work and require long hours. In the beginning, Dave would work 20 hour days, 7 days a week. He set up a cot to sleep at the office. Dave would drive the semi truck to and from the pallet deliveries, while his brother-in-law would repair the pallets and Denise would process the paperwork. On the weekends, Denise would bring their 3 children to the plant to help out, involving the whole family in the business.

The business has turned out to be very successful. After 15 years in business, the company now has 55 employees, has a fleet of 8 semi trucks and 20 trailers, and services a 400 mile radius territory from its Campbell facility. The company processes over 800,000 pallets annually, and it generates over \$4 million in sales. The company recently opened a trucking division to haul freight for other area businesses.

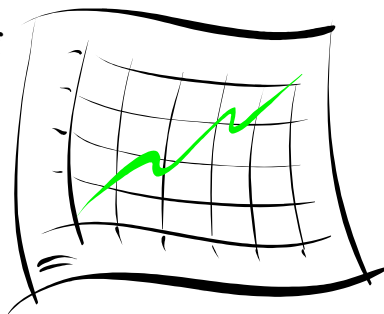
Dave and Denise Muslovski have had to overcome their fair share of adversity on their path to success. Dave was born to deaf parents, while Denise was born to French speaking parents who had immigrated to the United States and struggled to learn English. Dave has also overcome some serious health issues over the years. The pallet business has proven to be challenging, but the Muslovskis never gave up.

Dave and Denise live their lives by the slogan, “a winner finds a solution for every problem, while a loser finds a problem with every solution.” They clearly see themselves as winners. With their winning attitude, the Muslovskis will ensure that Iron City Wood Products continues to prosper!

Study Shows Distribution Of Firm Growth Rates Differ From Previous Assumptions

More Firms Grow Slower, Faster Than Previously Thought

The distribution of business growth rates is different from that previously assumed by



economists. This is the central finding of a new paper released today by the Office of Advocacy of the SBA before the American Social Sciences Association in Philadelphia.

Conducted to better understand the dynamic nature of growth and decline of firms of all sizes, the report breaks new ground in understanding the United States economy. Based on the report’s findings, economists may want to reevaluate their econometric tools when modeling the growth of businesses.

“This research will provide economists and policy makers with new data and new tools to help them understand how our economy works,” said Dr. Chad Moutray, Chief Economist for the Office of Advocacy. “By using new data sets, economists are now able to provide solid grounding for policy proposals.”

Written by Daniel Teitelbaum and Robert Axtell representing NuTech Solutions, with funding from the Office of Advocacy, *Firm Size Dynamics of Industries: Stochastic Growth Processes, Large Fluctuations, and the Population of Firms as a Complex System*, provides three main findings:

- Firm growth rates are not normally distributed, but have strong “tails” among slower and faster growing firms,
- Firm growth rate distributions do not differ much by type of industry, and
- Firm growth rates do not depend on the size of the establishments studied.

Large Federal Contractors Miscoded As Small Businesses

Over \$2 Billion In FY 2002 Mistakenly Assigned To Small Business

Some large federal contractors have been miscoded as small businesses, resulting in skewed procurement statistics according to a report issued today by the Office of Advocacy of the U.S. Small Business Administration. The report found that in Fiscal Year 2002

\$2 billion in federal contracts were miscoded as going to small rather than large businesses.

“This report clearly shows that there are problems with the federal procurement system,” said Thomas M. Sullivan, Chief Counsel for Advocacy. “We now have hard data, and not just anecdotes, from across federal agencies that shows contracts meant for small businesses were going to larger firms. What’s needed is more transparency in the contracting system and timely public access to user-friendly procurement data so that mistakes and other problems can quickly be corrected.”

The study examined the contracts given to the 1,000 largest (in dollar volume) federal small business contractors in FY 2002. Information from the federal government’s Individual Contract Action Report (ICAR) was merged with the author’s proprietary data on parent firms and with other commercial and federal databases. The report found that 44 of the top 1,000 small business contractors were not, in fact, small businesses. Their contracts coded as small business contracts totaled \$2 billion.

Eagle Eye Publishers wrote the report, entitled *Analysis of Type of Business Coding for the Top 1,000 Contractors Receiving Small Business Awards in FY 2002*, with funding from the Office of Advocacy.

Ideas and Articles Are Welcomed

If there are items that you would like to see included in the newsletter please let us know. They should be sent to john.hogan@sba.gov.

